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Arizona State University

Northern Arizona University

University of Arizona

October 9, 2009

The Honorable Janice K. Brewer  
Governor of Arizona  
1700 West Washington  
Phoenix, Arizona 85007

Dear Governor Brewer:

I write on behalf of the university system. We appreciate the exceedingly difficult decisions confronting you and the Legislature with respect to the state's large and growing budget deficit. We applaud your commitment to education demonstrated by your acceptance of federal stimulus dollars and commitment to meet the 3-year maintenance of effort (MOE) requirements that came with this one-time infusion of funds. Your decisive leadership in that regard will help carry the state through this unprecedented fiscal crisis.

In the initial FY 2010 budget signed into law in early September, higher education was cut to a level just above the FY 2006 MOE level as allowed under the American Recovery and Reinvestment Act of 2009 (ARRA). Therefore, *any further budget cuts to the university system would likely violate the MOE and put in jeopardy all the federal stimulus dollars the state has received.*

We appreciate your support of the MOE requirements. The Board of Regents will oppose any and all requests that the federal government waive the MOE for Arizona's institutions of higher education. Further, any attempt by the legislature to access other appropriated funds or local fund balances will be met by a challenge as well. The hard-earned monies that parents and students pay to support their education should not be used to balance the state budget.

### Reduction Impacts

In response to the \$231.5 million in budget cuts the university system has received since FY08, representing a 21% reduction in general fund appropriations, the Regents have implemented multi-year stopgap measures to manage the significant reductions already sustained. The tuition surcharge students are paying this fall takes into account

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general fund support from the state, one-time federal stimulus dollars, unfunded enrollment growth, and tuition dollars to support the universities.

Further permanent cuts to the universities – in FY 2012 or earlier without the protection of the MOE – would have a crippling effect on the university system. In the face of continued growth and demand for baccalaureate degrees in Arizona, funding below the MOE would eviscerate our ability to deliver our programs and fulfill our obligations to Arizona's families.

To put this in perspective, a further 15 percent (\$135.2 million) cut to the university system budget:

- is *greater* than the \$134.6 million of annual general fund support for NAU;
- corresponds to *more than one and a half times* the \$80.7 million of annual general fund support for ASU Polytechnic and ASU West combined;
- represents *elimination of annual state funding for 18,675 students* – roughly the number of undergraduate degrees awarded last year by the university system;
- equates to \$1,300 in *additional annual tuition charges* per student;
- represents the *permanent elimination of 2,200 positions* throughout the university system; and
- is nearly equivalent to the \$140.6 million in merit based financial aid awarded to almost 28,000 students annually.

A midyear reduction would further magnify these impacts. For example, savings that are achieved over the final 6 months of the fiscal year would actually have to be doubled over the final half of the fiscal year to achieve the desired savings.

### **Demand for Accessible and Affordable Higher Education**

Demand for higher education is counter-cyclical to economic cycles. As Arizona citizens lose their jobs or are unable to find work, they turn to the state's universities and community colleges to broaden their knowledge and improve their skills – thereby increasing their chances to find and keep higher paying and more stable employment. University system enrollment is up five percent over last fall. While other sectors experience contraction, higher education is experiencing increased demand and growth. The Arizona University System student enrollment grows at a time when state funding (a key source of support) is being cut.

We have to this point been able to maintain our tuition at lower levels as compared to public universities in other states. Nonetheless, our tuition has increased dramatically in recent years in order to supplement state funding and meet the needs of our fast-growing student enrollments. However, if future state funding does not replace the one-



time federal stimulus monies, our options will be limited. We will be forced to explore options that will further increase tuition, negatively impact the quality of the education we provide to Arizona citizens, and reduce the number of students who have affordable access to our institutions.

### **Protecting Arizona's Long-Term Prosperity**

We know you share the view that a strong public university system is pivotal to our economic recovery, our individual and our collective prosperity. The Arizona University System is a solution to creating a vibrant future for Arizona which allows for the expansion of business in the state and reduced reliance on cyclical revenue streams. America has singled out higher education as a critical driver in righting the economic security of the nation. Further state cuts to higher education will put Arizona's citizens at a competitive disadvantage. Arizonans must stand firm and take steps that bolster – rather than further weaken – our education system.

The Arizona Board of Regents stands with you in support of your 5-point recovery plan and the need for a temporary emergency tax increase to bolster state revenues. The Arizona budget crisis cannot be fixed by spending cuts alone. Our state needs both tax and budget reform to successfully make it through this crisis.

We look forward to continuing our cooperative efforts to address the challenges we face. We thank you for your continued support.

Sincerely,



Ernest Calderón  
President